

ORIGINAL

Interstate Commerce Commission
Washington, D. C.

RECORDATION NO. 9096 Filed & Recorded

NOV 21 2 41 PM 1977 NOV 21 1977-2 45 PM

Gentlemen:

I.C.C. INTERSTATE COMMERCE COMMISSION
Enclosed for recordation under the provisions of Section 20(c) of the Interstate Commerce Act, as amended, are the original and ten counterparts of an Equipment Lease dated as of September 1, 1977.

A general description of the railroad rolling stock covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

7-325A091 The names and addresses of the parties are:

Lessor:

Mr. George S. Eccles
c/o Mr. C. S. Cummings
First Security Leasing Company
79 South Main Street
Salt Lake City, Utah 84111

Lessee:

Denver & Rio Grande Western
Railroad Company
1515 Arapahoe Street
One Park Central
Denver, Colorado
Attention: Mr. G. J. Sheridan

The undersigned is the Lessee mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and eight copies of the Equipment Lease to Larry Elkins, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

DENVER & RIO GRANDE WESTERN
RAILROAD COMPANY

By

W. J. Hollman
Its President

LESSEE AS AFORESAID

Enclosures

10 Denver & Rio Grande - C. T. Kennedy

MANUFACTURER: PACCAR Inc

PLANT OF MANUFACTURER: Renton, Washington

DESCRIPTION OF EQUIPMENT: 100 Enclosed Tri-level Auto
Racks bearing rack numbers
DRGW 71 to DRGW 170, both
inclusive

SPECIFICATIONS: PC-511 February 22, 1977, as revised

BASE PRICE: \$30,000 per Item (\$3,000,000 for
100 Items)

MAXIMUM PRICE: \$33,000 per Item (\$3,300,000 for
100 Items)

DELIVERY TO: Denver & Rio Grande Western
Railroad Company

PLACE OF DELIVERY: Renton, Washington

ESTIMATED DELIVERY DATES: November-December, 1977

OUTSIDE DELIVERY DATE: December 31, 1977

LESSEE: Denver & Rio Grande Western
Railroad Company

ASSIGNEE OF MANUFACTURER: Continental Illinois National
Bank and Trust Company of Chicago

SCHEDULE A

Interstate Commerce Commission
Washington, D.C. 20423

11/21/77

OFFICE OF THE SECRETARY

Larry Elkins, Esq.
Chapman and Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear

Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on 11/21/77 at 2:45pm
and assigned recordation number(s) 9096

Sincerely yours,


H. G. Hommer, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

9096
RECORDATION NO. Filed & Recorded

NOV 21 1977 - 2 45 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE

Dated as of September 1, 1977

AMONG

GEORGE S. ECCLES

Lessor

AND

DENVER & RIO GRANDE WESTERN RAILROAD COMPANY

Lessee

This Lease and the Rents and other sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, Continental Illinois National Bank and Trust Company of Chicago, as agent and assignee, pursuant to the Conditional Sale Agreement, dated as of September 1, 1977 among George S. Eccles and the Manufacturer named in the Lease and related Agreement and Assignment. Information concerning such security interest may be obtained from Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60693 Attention: Corporate Trust Department.

(Denver & Rio Grande No. 77-1)

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Attachments to Lease

Schedule A - Description of Equipment
Schedule B - Certificate of Acceptance under Equipment Lease
Schedule C - Schedule of Casualty Value

THIS EQUIPMENT LEASE dated as of September 1, 1977 between GEORGE S. ECCLES (the "Lessor") and DENVER & RIO GRANDE WESTERN RAILROAD COMPANY, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

WHEREAS, the Lessor has entered or proposes to enter into a Conditional Sale Agreement, dated the date hereof (the "Conditional Sale Agreement") with PACCAR Inc (the "Manufacturer") providing for the construction, sale and delivery to the Lessor of the railroad equipment (collectively the "Equipment" and individually an "Item of Equipment") described in Schedule A attached hereto and made a part hereof; and

WHEREAS, by an instrument of Agreement and Assignment dated the date hereof (the "Assignment"), the Manufacturer has assigned or will assign its right, security title and interest under the Conditional Sale Agreement to Continental Illinois National Bank and Trust Company of Chicago, as assignee (the "Assignee") for the benefits of those investors (the "Investors") named in Schedule I to the Finance Agreement dated the date hereof (the "Finance Agreement") among the Assignee, the Lessor, the Lessee and the Investors; and

WHEREAS, the Lessee desires to lease all of the Items of Equipment or such lesser number as are delivered to and accepted under the Conditional Sale Agreement on or prior to the outside delivery date set forth in Schedule A, at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Equipment to the Lessee upon the following terms and conditions.

SECTION 1. DELIVERY AND ACCEPTANCE OF EQUIPMENT.

The Manufacturer will cause the Items of Equipment to be tendered to the Lessee at the place of delivery set forth in Schedule A. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Item of Equipment is found to conform to the specifications therefor, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor and to the Manufacturer.

thereof a certificate of acceptance (hereinafter called "Certificate of Acceptance") substantially in the form attached hereto as Schedule B, whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all of the terms and conditions of this Lease.

The Lessee will confer with the Manufacturer regarding anticipated dates of delivery, and will give the Lessor, Messrs. Chapman and Cutler, who are serving as special counsel to the Investors in this transaction, and the Assignee not less than five business days' prior written or telegraphic notice of the respective dates on which the first Item of Equipment will be delivered and accepted by the Lessee pursuant to this Section 1.

Any Equipment not delivered and accepted on or before the outside delivery date provided in Schedule A attached hereto and excluded from the Conditional Sale Agreement by the provisions of Section 2.3 thereof shall not be included in the term "Equipment" as used in this Agreement. In the event of any such exclusion the Lessee shall be obligated to purchase from the Manufacturer, accept delivery of and pay for, any of the Equipment thus excluded from this Agreement, and shall execute a separate agreement with the Manufacturer providing for the sale of such excluded Equipment by the Manufacturer to the Lessee upon the same terms and conditions as those contained in the Conditional Sale Agreement, modified only to the extent necessary to provide for payment in cash upon delivery of such excluded Equipment, either directly or indirectly by means of a conditional sale agreement, equipment trust or other appropriate method of financing as the Lessee may determine and as may be reasonably satisfactory to the Manufacturer.

SECTION 2. RENTALS AND PAYMENT DATES.

2.1. Rentals for Equipment. The Lessee agrees to pay the Lessor the following Rent for the Items of Equipment leased hereunder:

(a) Interim Rental. For each Item of Equipment, an amount (the "Interim Rental") per day equal to 0.021875% of the Purchase Price (as defined in the Conditional Sale Agreement) of such Item for each day of the period from and including the date of delivery and acceptance of such Item, to but not including, the Commencement Date (as defined in Section 2.2 hereof) payable on the Commencement Date.

(b) Fixed Rental. For each Item of Equipment, 20 consecutive semiannual installments of rental, each equal to 6.6091% of the Purchase Price of such Item (the "Fixed Rental"). For all such Items of Equipment, the first of such semiannual installments is to be payable six months following the Commencement Date and the remainder of such installments is payable semiannually thereafter.

2.2. Commencement Date. The "Commencement Date" shall be January 3, 1978.

2.3. Place of Rent Payment. All payments provided for in this Lease to be made to the Lessor shall be made to the Lessor by wire transfer of Federal funds or otherwise immediately available funds at its address set forth in Section 21.1 hereof, or at such other places as the Lessor or its assigns shall specify in writing.

2.4. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Manufacturer or against the Assignee, or against any entity having a beneficial interest in the obligations to be performed under the Conditional Sale Agreement; nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to the Lessor on the Lessee's lines, or is stored for the Lessor on the Lessee's lines or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Sections 11 and 20 hereof, shall terminate ten (10) years following the Commencement Date.

SECTION 4. TITLE TO THE EQUIPMENT.

4.1. Retention of Title. The Lessor is acquiring full legal title to the Equipment as Vendee under the Conditional Sale Agreement (but only upon compliance with all the terms and

conditions thereof) and, it is understood that Lessee shall acquire no right, title and interest to the Equipment except hereunder notwithstanding the delivery of the Equipment to and the possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its rack number as set forth in Schedule A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Leased from GEORGE S. ECCLES, and subject to a Security Interest of Continental Illinois National Bank and Trust Company of Chicago, as Secured Party."

with appropriate changes thereof and additions thereto from time to time as may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and the interests of the Lessor and the Assignee under this Lease, the Assignment and the Conditional Sale Agreement shall have been perfected by public filing, recording or depositing of said documents (or a financing statement or similar notice thereof) in such public offices as shall, in the opinion of the Lessor and the Assignee, be necessary to adequately protect said interests, and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the rack number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new rack numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease (or a financing statement or similar notice thereof) shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any persons, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

SECTION 5. DISCLAIMER OF WARRANTIES.

THE LESSOR LEASES THIS EQUIPMENT, AS-IS, IN WHATEVER

CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, BY THE LESSOR, EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT INCLUDING BUT NOT LIMITED TO THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, (D) THE DESIGN OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (E) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Manufacturer (to the extent, but only to the extent, any loss, damage, claim, cause of action, liability, cost or expense arises as a result of the retention of a security interest by the Manufacturer in the Equipment), the Assignee and the Investors and their respective successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation, the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

The Lessee shall indemnify, protect and hold harmless the Lessor and the Manufacturer from and against all liability, claims, demands, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Lessor or the Manufacturer because of the use in or about the construction or operation of any Item of Equipment or any design specified by the Lessee and not manufactured

by the Manufacturer, which infringes or is claimed to infringe on or which is claimed to constitute contributory infringement with respect to any patent or other right. The Lessee will give notice to the Manufacturer of any claim known to it from which liability may be charged against the Manufacturer under Section 11 of the Conditional Sale Agreement. As used herein the term "design" shall be deemed to include formulae, systems, processes and combinations as specified by the Lessee.

It is hereby agreed that the Manufacturer shall be and is hereby constituted a third party beneficiary to each of the covenants and agreements of the Lessee expressed in this Section 6.1; provided that such benefits to the Manufacturer as are expressed in the first paragraph (but not the second paragraph) of this Section 6.1 shall be limited to the extent, but only to the extent, that any loss, damage, claim, cause of action, liability, cost or expense for which indemnification is provided in such first paragraph arises as a result of the retention of a security interest by the Manufacturer in the Equipment. Nothing in this Section 6.1 shall be construed to relieve the Manufacturer of any of its obligations or liabilities arising in connection with any warranty of the Manufacturer with respect to the Equipment.

6.2. Continuation of Indemnities and Assumptions.

The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i) or (ii) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or 15 as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules of the United States Department of Transportation) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense and without offset for rent due hereunder.

In the event the Lessee shall install any additions, modifications or improvements to any Item of Equipment pursuant to this Section 7, the Lessor agrees that it will include the cost thereof in its gross income in the year in which the improvement is made for Federal income tax purposes. The Lessee agrees that, within 30 days after the close of any calendar quarter in which the Lessee has installed such additions, modifications or improvements, the Lessee will give written notice thereof to the Lessor describing the same in reasonable detail and specifying the cost thereof with respect to each Item of Equipment.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment (not including, however, any parts installed on and additions to any Item of Equipment, any portion of whose cost is furnished by the Lessee and which are readily removable without causing material damage to such Item of Equipment, but including parts installed on and replacements made to any Item of Equipment which constitute ordinary maintenance and repairs made by the Lessee pursuant to the second sentence of this Section 8 or which are required to be made by the Lessee pursuant to Section 7 hereof) shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of the Lease.

Without limiting the foregoing, the Lessee further agrees that it will keep each Item of Equipment free and clear of any liens, charges, encumbrances or claims of the owner or owners of any interest in any units of railroad rolling stock to which any such Item of Equipment is at any time attached or

affixed and of any purchasers of or present or future creditors obtaining a lien on such unit or units of rolling stock, and the Lessee will permit an Item of Equipment to be attached or affixed to a unit of rolling stock only in a manner so as to permit such Item to be readily removable from such unit of rolling stock without material damage to such Item or to such unit of rolling stock and without diminishing or impairing the value or utility of such Item, or such unit of rolling stock, would have had at such time had not such Item been so attached or affixed.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease, the Conditional Sale Agreement and the first assignment thereof (or a financing statement or similar notice thereof if and to the extent permitted or required by applicable law) to be duly filed, recorded or deposited in such public offices within or without the United States as the Lessor may reasonably request for the protection of its title or the security interest of the Assignee to the satisfaction of the Lessor's or the Assignee's counsel and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, reregister or rerecord whenever required) any and all further instruments (including, without limitation, financing and continuation statements or similar notices thereof) required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to, or the Assignee's security interest in, the Equipment to the satisfaction of the Lessor's or the Assignee's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and rerecording or depositing and redepositing of any such instruments or incident to the taking of such action.

10.2. Payment of Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax [and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment

to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or license fees and any charges, fines or penalties in connection therewith (hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or the Conditional Sale Agreement, all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the reasonable opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder or under the Conditional Sale Agreement. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor after the Lessor shall have given written notice thereof to the Lessee and the same shall have remained unpaid for a period of ten business days thereafter, the Lessee shall reimburse the Lessor on presentation of invoice therefor and, notwithstanding any assignment of the rights of the Lessor hereunder or the provisions hereof relating thereto, such reimbursement shall be paid directly to the party making such payment. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either prepare and file such reports in such manner as to show the interests of the Lessor and the Assignee in such Items of Equipment or, if it shall not be permitted to file the same, it will notify the Lessor and the Assignee of such reporting requirements, prepare such reports in such manner as shall be satisfactory to the Lessor and the Assignee and deliver the same to the Lessor and/or the Assignee not less than 10 days prior to the date the same is to be filed.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay

or reimburse, pursuant to this Section 10.2, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE, PAYMENT FOR CASUALTY OCCURRENCE OR EQUIPMENT UNSERVICEABLE FOR USE.

11.1. Insurance. The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured by a reputable insurance company or companies in such amounts and against risks as shall be satisfactory to the Assignee and the Lessor; provided that in the case of property insurance and public liability insurance, the Lessee will be permitted to self-insure to the extent it self-insures equipment similar in nature to the Equipment which it owns or leases, but in any event the Lessee shall maintain in effect such insurance as is required by prudent industry practice in respect of equipment similar in nature to the Equipment. Such insurance may provide that losses shall be adjusted with the Lessee and that the proceeds thereof shall be payable to the Lessor, the Assignee, and the Lessee as their interests shall appear; provided that so long as any portion of the Conditional Sale Indebtedness or interest thereon shall remain unpaid, such policies shall provide that the losses, if any, shall be payable to the Assignee under a standard mortgage loss payable clause satisfactory to the Lessor and the Assignee. All proceeds of insurance received by the Lessor and the Assignee with respect to any Items of Equipment not suffering a Casualty Occurrence (as hereinafter defined) shall be paid to the Lessee upon proof satisfactory to the Lessor and the Assignee that any damage to any Item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Lessor and the Assignee with respect to a Casualty Occurrence shall be credited toward the payment required by this Section 11 with respect to such Casualty Occurrence.

All policies of insurance to be carried pursuant to this Section shall provide that the same shall not be cancelled or materially changed without at least 30 days' prior written notice to the Lessor, the Assignee and the Lessee. No such policy shall provide that the coverage thereunder for the benefit of the Lessor or the Assignee shall be restricted, impaired or invalidated by any breach or violation by the Lessee of warranties, declarations or conditions contained in such policies and the Lessee shall, upon the request of the Lessor (but not more frequently than annually), furnish either a certificate of the insurer to such effect or a certificate of an officer of the Lessee or an opinion of counsel of the Lessee that no such policy contains such provisions. The Lessee covenants and agrees that it will throughout the term hereof furnish to the Lessor, and the Assignee certificates of insurers or other satisfactory evidence of the maintenance of the insurance required by this Section.

11.2. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged during the term of this Lease, including any renewal term hereunder, or thereafter while the Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease, including any renewal terms hereunder (any such occurrence, except for any requisition which by its terms is for an indefinite period or is for a stated period which does not exceed the term of this Lease, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Assignee in regard thereto and shall pay the Casualty Value (as herein defined) of such Item in accordance with the terms hereof.

11.3. Payment for Casualty Loss. The Lessee, on the next succeeding Interim Rental or Fixed Rental payment date following its knowledge of a Casualty Occurrence with respect to any Item of Equipment, shall pay to the Lessor the rental installment due on such rental payment date for such Item of Equipment plus a sum equal to the Casualty Value of such Item of Equipment as of the next succeeding Interim Rental or Fixed Rental payment date following such Casualty Occurrence.

11.4. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item of Equipment and the Interim Rental or Fixed Rental installment due on such payment date, the obligation to pay rent for such Item of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment.

11.5. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is", "where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of, the Lessee shall be entitled, upon payment of the Casualty Value as provided in Section 11.3, to retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the amount of the Casualty Value and any excess shall be paid to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate such contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.6. Casualty Value. The Casualty Value of an Item of Equipment shall be an amount determined as of the date the

Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence). The Casualty Value of an Item of Equipment shall be equal to that percentage of the Purchase Price of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C opposite the applicable payment date.

11.7. Risk of Loss. The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and the Interim Rental or Fixed Rental installments due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before May 1 in each year, commencing with the year 1978, the Lessee will furnish to the Lessor and the Assignee an accurate statement, as of the preceding December 31 (a) showing the amount, description and rack numbers of the Items of Equipment leased hereunder and the amount, description and road numbers of the railroad cars to which such Items are attached, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.2 hereof shall have been preserved or replaced, and (c) describing the insurance coverage, if any, maintained by the Lessee pursuant to Section 11.1 hereof.

12.2. Lessor's Inspection Rights. The Lessor and the Assignee each shall have the right, at its sole cost and expense by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or, as the case may be, the Assignee the existence and proper maintenance thereof during the continuance of this Lease.

12.3. Financial Reports. The Lessee will furnish to the Lessor at the same time reports are required to be furnished to the Investors hereinafter referred to, such reports as are required to be furnished to the Investors pursuant to Section 10 of the Finance Agreement.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, remove from any unit of railroad rolling stock to which such Item of Equipment is attached and deliver possession of such Item of Equipment to the Lessor at such reasonable storage place on the lines of railroad operated by the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment at such place for a period not exceeding 90 days and transport the same at any time within such 90-day period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to the Lessee; provided that the obligation of the Lessee to so transport shall be limited to only one such movement in respect of any such Item of Equipment. Each Item of Equipment delivered to the Lessor shall be in the same condition as when delivered to the Lessee, ordinary wear and tear excepted. All movement, storage and maintenance of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. During any such storage period the Lessee shall maintain the Items of Equipment in such manner as the Lessee normally maintains similar equipment owned or leased by it in similar storage circumstances. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. Any of the following events shall constitute an Event of Default hereunder:

(a) Default shall be made in the payment of any part of the rental or other sums provided in Section 2 hereof or in Section 11 hereof and such default shall continue for ten business days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof; or

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty made by the Lessee herein or in the Finance Agreement or in any statement or certificate furnished to the Lessor or its assigns pursuant to or in connection with this Lease or the Finance Agreement proves untrue in any material respect as of the date of issuance or making thereof; or

(e) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and (unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective but then only so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees within 30 days after such appointment or 60 days after such petition shall have been filed, whichever shall be earlier; or

(f) Any other proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder) and (unless such proceedings

shall have been dismissed, nullified, stayed or otherwise rendered ineffective but then only for such times and so long as such stay shall continue in force or such ineffectiveness shall continue) all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

14.2. Remedies. If any Event of Default has occurred and is continuing, the Lessor, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days in such full rental period and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date

of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 5% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, or (y) an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the Fixed Rental payment date on or immediately preceding the date of termination over the amount the Lessor reasonably estimates to be the Fair Market Sales Value thereof at such time; provided, however, that in the event the Lessor shall have sold any Item of Equipment, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) may, if it shall so elect, demand that the Lessee pay the Lessor, and the Lessee shall so pay on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value of such Item of Equipment as of the Fixed Rental payment date on or immediately preceding the date of termination over the net proceeds of such sale, and (ii) any damages and expenses including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rental.

For purposes of this Section 14.2, Fair Market Sales Value shall be determined on the basis of, and shall be equal to, the value which would be obtained in an arm's length transaction between an informed and willing buyer-user (other than a user currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell.

14.3. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any set-off against the rent payments due hereunder, and agrees to make the rent payments regardless of any set-off or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.4. Lessor's Failure to Exercise Rights. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not

constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor or the Assignee shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor in the same condition as when delivered to the Lessee, ordinary wear and tear excepted. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith remove such Equipment from any unit of railroad rolling stock to which such Equipment is attached and place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Lessor; provided that the Lessee shall not be required to store any Equipment at such location as shall materially impair the Lessee's ability to perform its obligations as a common carrier by rail; and

(c) Transport the Equipment to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may direct in writing; provided that the Lessee shall not be required to transport any Equipment to such location as shall materially impair the Lessee's ability to perform its obligations as a common carrier by rail.

15.2. Specific Performance. The removal, assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to remove, assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee from whosoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and other sums due and to become due hereunder have been or will be assigned to the Assignee pursuant to Section 12 of the Conditional Sale Agreement, and all rent and other sums due and to become due hereunder shall be paid by wire transfer of Federal funds or otherwise immediately available funds to the Assignee at 231 South LaSalle Street, Chicago, Illinois 60693, Attention: Corporate Trust Department, or at such other place as the Assignee shall specify in writing. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) it is the custom of railroad equipment manufacturers or sellers to assign agreements of this character and the Lessee understands that the assignment of this Lease and the Conditional Sale Agreement is contemplated. The Railroad expressly represents, for the purpose of assurance to any person, firm or corporation considering the acquisition of said Agreements or of all or any of the rights of the Lessor or the Manufacturer thereunder, and for the purpose of inducing such acquisition, that in the event of any such assignments as provided herein or under Section 12 of the Conditional Sale Agreement, the rights of such assignee to the entire unpaid indebtedness in respect of the Purchase Price of the Equipment or such part thereof as may be assigned, together with interest thereon in and to sums payable by the Lessee under any of the provisions of this Lease, together with the interest thereon as well as any other rights under this Lease or Conditional Sale Agreement which may be so assigned, shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of or defect in Lessor's title, any breach of any obligation of the Manufacturer with respect to the Equipment or the delivery or warranty thereof, or any interruption from whatsoever cause (other than from a wrongful act of the Assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee, the Manufacturer, the

Assignee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the Assignee, the Lessee shall be unconditionally and absolutely obligated to pay the Assignee all of the rents and other sums which are the subject matter of the Assignment, and (ii) the Assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the Assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor, and (iii) since said assignment to the Assignee is for collateral purposes, all obligations of the Lessor to the Lessee under this Lease other than those assumed by the Assignee pursuant to Section 24 of the Conditional Sale Agreement shall be and remain enforceable by the Lessee against, and only against, the Lessor.

It is understood and agreed that the right, title and interest of the Assignee is, by the express terms of the Conditional Sale Agreement, subject to the rights and interests hereunder of the Lessee in and to the Equipment.

SECTION 17. ASSIGNMENTS BY LESSEE; USE AND POSSESSION.

17.1. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor and the Assignee, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment. The Lessee shall not, without the prior written consent of the Lessor and the Assignee, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.2 hereof, nor shall the Lessee attach any Item of Equipment to any railroad car other than the car identified in the Certificate of Acceptance for such Item as the car to which such Item is originally attached unless the Lessee shall, prior to any such new attachment, deliver to the Lessor and the Assignee an opinion of counsel to the effect that the Lessee is and, following such new attachment, will be in full compliance with the provisions of Section 10.1 hereof and that the Lessee has obtained any necessary waivers or consents from all owners or holders of other interests in the car or cars to which the Equipment is to be newly attached in order to maintain the title of the Lessor and the security interest of the Assignee in the Equipment free and clear of any rights or interests of any such party or that no such waivers or consents are required.

17.2. Use and Possession on Lines Other than Lessee's Own. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the

Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation, a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of railroad over which the Lessee or such corporation has trackage or other operating rights or over which Equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of Items of Equipment upon connecting and other carriers in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease. Notwithstanding the foregoing, the Lessee will not assign any Item of Equipment to service (including, without limitation, the regular operation and maintenance thereof) outside the United States of America. No assignment or sublease entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

17.3. Merger, Consolidation or Acquisition of Lessee. Nothing in this Section 17 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all of the lines of the railroad of the Lessee, provided that such assignee, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligation to the Lessor hereunder which shall be and remain those of a principal and not a guarantor.

SECTION 18. OPINION OF LESSEE'S COUNSEL.

Prior to or concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor the written opinion of counsel for the Lessee set forth in Section 5(a)(iii) of the Assignment.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay an amount equal to 10.00% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. RIGHT OF FIRST REFUSAL; RENEWAL OPTIONS.

20.1. Right of First Refusal. Unless an Event of Default, or any event or condition which, upon notice or lapse of time, would constitute an Event of Default, shall have occurred and be continuing, the Lessor shall not, at any time within two years of the end of the term of this Lease sell, transfer or otherwise dispose of the Equipment unless:

(a) the Lessor shall have received from a responsible purchaser a bona fide offer in writing to purchase all, but not less than all, of the Items of Equipment;

(b) the Lessor shall have given the Lessee notice (i) setting forth in detail the identity of such purchaser, the proposed purchase price, the proposed date of purchase and all other material terms and conditions of such purchase, including, without limitation, any arrangements for the financing of such purchase known to the Lessor and (ii) offering to sell such Items of Equipment to the Lessee upon the same terms and conditions as those set forth in such notice; and

(c) the Lessee shall not have notified the Lessor, within 20 days following receipt of such notice, of its election to purchase such Items of Equipment upon such terms and conditions.

If the Lessee shall not have so elected to purchase such Items of Equipment, the Lessor may sell such Items of Equipment at a price and upon other terms and conditions no less favorable to the Lessor than those specified in such notice. Notwithstanding the foregoing provisions of this Section 20.1, the Lessor may, if the Lessee has not renewed this Lease pursuant to Section 20.2 hereof, lease the Equipment at any time after the end of the term of this Lease (or, if the Lessee has renewed this Lease for a renewal term pursuant to Section 20.2 hereof, at the end of such renewal term) without first offering to lease the Equipment to the Lessee.

20.2. Renewal Options. Provided that the Lessee is not in default hereunder, the Lessee shall have the following renewal options:

(a) The Lessee shall have the options to renew and extend this Lease as to all, but not less than all, of the

Items of Equipment then leased hereunder for up to a maximum of five additional renewal terms of one year each upon and subject to the terms and conditions herein contained for the original term of this Lease; provided that the semiannual Fixed Rental payable for and during any such renewal term shall be an amount equal to the Fair Rental Value (as hereinafter defined) of such Items of Equipment. Each renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice of any such election 180 days prior to the commencement of any renewal term provided for in this Section 20.2.

(b) The Fair Rental Value of an Item of Equipment shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease. If on or before 60 days prior to the date of commencement of the renewal term elected by the Lessee, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value of the Item of Equipment, such value shall be determined in accordance with the foregoing definition by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. If no such third appraiser is so selected within 15 days after selection of the two appraisers, either party may apply to make such selection to the American Arbitration Association, and both parties shall be bound by any selection so made. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from the other two appraisers shall be excluded and the remaining two determinations shall be averaged. Such average shall be the final determination and binding upon both Lessor and Lessee. The expenses and fees of the Appraiser shall be borne by the Lessee.

20.3. Delivery of Equipment. Unless the Lessee has elected to purchase the Items of Equipment then leased hereunder or to renew this Lease in respect of such Items of Equipment as provided in this Section 20, all of such Items of Equipment shall be returned to the Lessor at the end of the original term, or the then current renewal term, as the case may be, in accordance with Section 13 hereof.

SECTION 21. MISCELLANEOUS.

21.1. Notices. Any notice or consent required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor: Mr. George S. Eccles
c/o Mr. C. S. Cummings
First Security Leasing Company
79 South Main Street
Salt Lake City, Utah 84111

If to the Lessee: Denver & Rio Grande Western
Railroad Company
1515 Arapahoe Street
One Park Central
Denver, Colorado 80217
Attention: Mr. G. J. Sheridan

If to the Assignee: Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

with a copy to:

GATX Leasing Corporation
One Embarcadero Center
San Francisco, California 94111
Attention: Contracts Administration

or addressed to any of the foregoing parties at such other address as such party shall hereafter furnish to the other parties in writing.

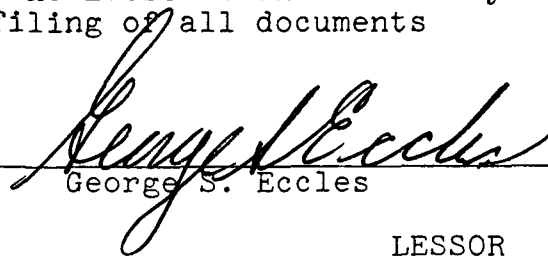
21.2. Execution in Counterparts. This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

21.3. Law Governing. This Lease shall be construed in accordance with the laws of Colorado; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

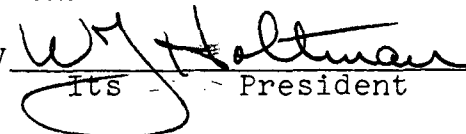
21.4. Limitations of Liability. It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that no liability or responsibility in its individual capacity is assumed by nor shall at any time be asserted or enforceable against the Lessor on account of this Lease or on account of any representation, covenant, undertaking or

agreement of the Lessor in this Lease contained, either express or implied, all such individual liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under it; excepting, however, that the Lessee or any person claiming by, through or under it, may look to the Equipment for satisfaction of the same.

21.5. Investment Credit. The Lessor hereby agrees and covenants that it will in accordance with Section 48(d) of the Internal Revenue Code of 1954, as amended (the "Code"), make a timely and proper election to treat the Lessee as having acquired the Equipment for purposes of the investment tax credit provided by Section 38 (and related Sections) of the Code so that the Lessee may receive the benefit of such credit to the extent it is available; provided, however, that the Lessee shall be solely responsible for the preparation and filing of all documents necessary to effect such election.


George S. Eccles
LESSOR

DENVER & RIO GRANDE WESTERN RAILROAD
COMPANY

By 
its President

LESSEE

Attest:


Secretary

This Lease and the rents and other sums due and to become due hereunder have been assigned to, and are subject to a security interest in favor of, Continental Illinois National Bank and Trust Company of Chicago, as agent and assignee, pursuant to the Conditional Sale Agreement dated as of September 1, 1977 among George S. Eccles and the Manufacturer named in the Lease and related Agreement and Assignment. Information concerning such security interest may be obtained from Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60693, Attention: Corporate Trust Department.

STATE OF

COUNTY OF

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) SS
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On this 14th day of November, 1977, before me personally appeared George S. Eccles, to me known to be the person described in and who executed the foregoing instrument and he acknowledged that he executed the same as his free act and deed.

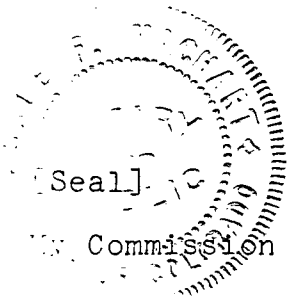


Nevada E. Jackson
Notary Public

My Commission Expires: 3-31-80

STATE OF COLORADO)
) SS
COUNTY OF)

On this 9th day of November, 1977, before me personally appeared W. J. Hellman, to me personally known, who being by me duly sworn, says that he is President of DENVER & RIO GRANDE WESTERN RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Dale G. Machart
Notary Public

My Commission Expires: My Commission expires July 10, 1979

SCHEDULE A
(to Equipment Lease)

MANUFACTURER:	PACCAR Inc
PLANT OF MANUFACTURER:	Renton, Washington
DESCRIPTION OF EQUIPMENT:	100 Enclosed Tri-level Auto Racks bearing rack numbers DRGW 71 to DRGW 170, both inclusive
SPECIFICATIONS:	PC-511 February 22, 1977, as revised
DELIVER TO:	Denver & Rio Grande Western Railroad Company
PLACE OF DELIVERY:	Renton, Washington
ESTIMATED DELIVERY DATE:	November-December, 1977
OUTSIDE DELIVERY DATE:	December 31, 1977

Lessee: Denver & Rio Grande Western Railroad Company

Assignee of Manufacturer: Continental Illinois National Bank
and Trust Company of Chicago

(Denver & Rio Grande No. 77-1)

CERTIFICATE OF ACCEPTANCE
UNDER EQUIPMENT LEASE

To: George S. Eccles
("Lessor")

PACCAR Inc
("Manufacturer")

I, a duly appointed inspector and authorized representative of DENVER & RIO GRANDE WESTERN RAILROAD COMPANY ("Lessee") and of the above named Lessor, do hereby certify that I have inspected, received, approved and accepted delivery on behalf of the Lessee under the Equipment Lease dated as of September 1, 1977 between the Lessor and the Lessee, and on behalf of the Lessor under the Conditional Sale Agreement dated as of September 1, 1977 among the Manufacturer and the Lessor, of the following Items of Equipment ("Equipment"):

TYPE OF EQUIPMENT: Enclosed Tri-level Automobile Rack

MANUFACTURER: PACCAR Inc

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF ITEMS:

I do further certify that the foregoing Equipment is in good order and condition, and conforms to the Specifications applicable thereto, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each Item of Equipment the following legend in letters not less than one inch in height:

"Leased from George S. Eccles as Lessor, and subject to a Security Interest of Continental Illinois National Bank and Trust Company of Chicago, Secured Party."

(Denver & Rio Grande No. 77-1)

SCHEDULE B
(to Equipment Lease)

I do further certify that the following schedule sets forth the Lessee rack number of each of the foregoing Items of Equipment and the railroad car number to which such Item is attached:

Lessee Rack
Number

Railroad Car Number
to which such Item
is Attached

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for warranties it has made with respect to the Equipment.

Inspector and Authorized
Representative of Lessee
and Lessor

LESSEE: DENVER & RIO GRANDE WESTERN RAILROAD COMPANY

MANUFACTURER: PACCAR Inc

SCHEDULE OF CASUALTY VALUE

The Casualty Value of an Item of Equipment payable on the Commencement Date or any Fixed Rental payment date shall mean an amount equal to the per cent of the Purchase Price (as defined in the Conditional Sale Agreement) of such Item set forth opposite such payment date in the following schedule:

<u>Commencement Date or Number of Periodic Rental Payment Date on which Casualty Value is Paid (Payment in Addition to Rent Payment)</u>	<u>Percentage of the Purchase Price (as defined in the Con- ditional Sale Agree- ment) Payable as Casualty Value</u>
Commencement Date	106.496
1	104.911
2	102.742
3	100.187
4	97.303
5	94.119
6	90.639
7	86.885
8	83.081
9	79.049
10	74.749
11	70.190
12	65.403
13	60.389
14	55.189
15	49.797
16	44.264
17	38.576
18	32.795
19	26.900
20 and thereafter during the storage period	20.000

SCHEDULE C
(to Equipment Lease)